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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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ANNEX--Conclusions of the Watch Report of the Intelligence Advisory Committee [REDACTED]

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1. SOVIET ARMS ARRIVING REGULARLY IN THE MIDDLE EAST

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Comment on:

[redacted]
Soviet ships carrying cargoes of arms for Syria, Egypt, and Yemen continue to pass from the Black Sea to the Mediterranean.

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[redacted]
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During the first week of November, two Soviet vessels are known to have delivered military equipment at Alexandria. Although only military vehicles were observed on these vessels, arms were probably included in their cargoes. Deliveries to Egypt may be stepped up in the near future; it has been [redacted] reported that the Egyptian commander in chief, now in Moscow, is discussing the procurement of additional arms from the USSR.

At least four shiploads of military cargoes, including vehicles and aircraft--presumably additional jet fighters purchased under the new Soviet-Syrian arms contract concluded in August--arrived at Latakia in October. Regular deliveries to Syria are expected to continue during the next few months as a result of this new arms contract.

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The arrival of two more Soviet vessels in Yemeni ports in the past three weeks--one apparently carrying crated aircraft--indicates that Yemen has concluded a second arms agreement with the bloc. The original arms agreement, [redacted] is believed to have been completed in September, following the delivery of 11 shiploads of military equipment. [redacted]

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2. SYRIAN INTERNAL SITUATION

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Comment on:

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Insistence by Syrian Communists on participating on a basis of parity with the Baath in municipal elections originally scheduled for 15 November has resulted in a split between the two groups. Rather than accede

to the Communist demand, the Baath joined more moderate elements in inducing the cabinet to postpone the elections. The more pro-Soviet ministers, including Defense Minister Azm, insisted upon holding the elections as scheduled, while Baathist and moderate ministers and President Quwatli urged postponement.

The new alliance between the leftist Baath and moderates points to a continuing struggle between proponents of stronger ties with the Soviet bloc and those who advocate a more neutral role for Syria. The absence of Communist leader Khalid Bakdash from the recent celebrations in Moscow suggests that the struggle is sufficiently serious to require his presence in Syria.

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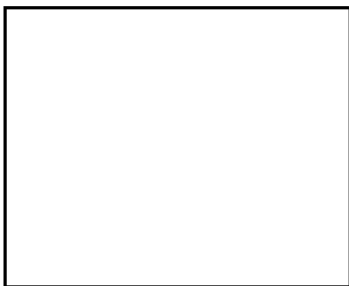
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3. FRENCH REACTION TO TUNISIAN ARMS ISSUE

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Anti-American and anti-NATO sentiment in France is likely to increase sharply as a result of the announcement of a token shipment of arms from the United States and Britain to Tunisia. On 13 November, Premier Gaillard had threatened that a "grave crisis in Western solidarity" could arise out of the arms

question. His coalition cabinet is already split over the government's proposed tax program, and he may seek to shore up its domestic position by dramatizing his nationalistic stand on the arms issue through some move to emphasize France's displeasure.

Paris maintains that arms supplies for Tunisia will eventually end up in the hands of Algerian rebels, and the Gaillard cabinet is opposed to any shipments from non-French sources. Under the Bourges-Maunoury government, the issue evoked strong opposition and played an important role in its overthrow. French rightists and the nationalist press may again be expected to use the issue to buttress their demands for the maintenance of a strong Algerian policy.



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4. FRENCH GOVERNMENT ENDANGERED BY RIGHTIST TAX OPPOSITION

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Growing rightist hostility to increased taxes may block National Assembly approval of Premier Gaillard's proposed austerity program. The Independent

ministers in the cabinet are reported to be about to renege in their pledge of support, and their assembly group has indicated it might desert the government when the assembly votes on his request for sweeping economic powers on Saturday or Monday. The reason for this switch is apparent in the vigorous protest the French Employers Association has lodged against the proposed tax features.

If the Independents do not support the government, the Socialists and Popular Republicans have threatened to duck any responsibility for a program that might result in price increases and a wage freeze. Living costs have been rising sharply, and a 24-hour strike scheduled for next week by more than 1,200,000 government employees may lead to a new wave of labor disorder. Gaillard has already turned down labor demands for higher wages, which he believes would trigger similar requests from the nearly 1,000,000 employed in the nationalized industries.

The government's financial difficulties have been compounded by the precipitous drop in the value of the franc from 476 to 507 on 13-14 November.

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5. **INDONESIAN CAMPAIGN FOR "RETURN" OF NETHERLANDS NEW GUINEA**

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25X1A Comment on:

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Another mass rally in support of Indonesia's claim to Netherlands New Guinea is scheduled to be held in Djakarta on 15 November, and both President Sukarno and former Vice President Hatta have been asked to speak. The invitation to Hatta was issued undoubtedly to give the anti-Dutch campaign greater respectability and to point up progress toward the re-establishment of the Sukarno-Hatta partnership. If Hatta accepts the invitation, he will further disillusion dissident provincial leaders as to his capacity to lead an anti-Communist, anti-Sukarno movement.

A steady stream of official and semi-official statements continue to warn that Indonesia will confiscate local Dutch property if its claim to New Guinea fails to win the support of the UN.

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a special brigade has been formed with government approval to conduct guerrilla warfare against the Dutch in New Guinea.

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Djakarta is seriously considering accelerating its paramilitary activity in the area. The first deputy army chief of staff recently told the American assistant army attaché that Indonesia has the capability to increase the number of small raiding parties it has been sending to the area.

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6. RESIGNATION OF NEPALESE PRIME MINISTER

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[REDACTED]

The resignation on 14 November of Dr. K. I. Singh, leader of Nepal's sixth government in seven years, and the promulgation of direct rule by King Mahendra "for the time being"

return Nepal to the state of political confusion which existed prior to Singh's entry into office on 26 July. Singh's increasingly autocratic actions apparently antagonized the King.

Unstable conditions in Nepal are likely to provide Peiping with increased opportunities for strengthening its influence. New Delhi can be expected to move quickly to throw its support to a government oriented toward Indian interest. It may back continued royal rule in the hope that its influence and pressure on the King offer the best means of protecting India's paramount position in Nepal.

The King may prolong his direct rule for an indefinite period, since the renewed competition for power among Nepal's rival political factions may block the formation of a new government. Despite the adverse reaction among politically conscious Nepalese to his methods, Singh probably will retain his popularity among the masses and will provide powerful opposition to whatever government follows. [REDACTED]

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[REDACTED]

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8. SOUTH KOREA ACCEPTS US STAND ON CLAIMS AGAINST JAPAN

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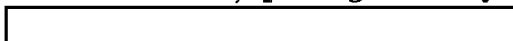
President Rhee on 13 November agreed to accept without reservation an American memorandum on Korean claims against Japan. He also instructed the

Korean mission in Tokyo to conclude and sign a preliminary agreement with the Japanese looking toward reopening a formal conference to settle outstanding issues, provided Tokyo accepts certain minor changes which Rhee made in the draft agreement. The American interpretation of the Japanese peace treaty holds, in effect, that when the Koreans took over Japanese property in Korea in 1945, their claims against Japan were largely canceled out.

Months of informal negotiations, stimulated by Tokyo's desire for the release of Japanese fishermen detained at Pusan, have been stymied by Rhee's previous rejection of the US formula. In these talks the Japanese have been willing to waive their own property claims against Korea and to withdraw derogatory remarks about Korea made by a Japanese negotiator in 1953.

While a formal accord or even relatively friendly discussions of outstanding issues, such as the fisheries question, are still distant, Seoul has apparently become impressed with US arguments that Japan has made all the concessions it can possibly make and that time is now against Korea. It is entirely possible, therefore, that Rhee's decision to modify his stand on claims will lead to the release of the some 900 Japanese detainees at Pusan and more than 1,400 Koreans at

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9. COMMUNISTS MAY MAKE POLITICAL GAINS IN GUATEMALA

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Comment on:

Anti-Communist political and military forces in Guatemala have yet to recover from the divisive effect of the violence which led to the annulment of last month's elections. New elections, for which candidates have not yet been named, are set for 19 January, and the Communists are likely to gain politically if the leftist Revolutionary party (PR), which they have infiltrated and which is probably the country's strongest single party, wins significant representation in congress. The party candidate may even win the presidency.

Ambassador Hill in Mexico emphasizes that the return of a pro-Communist regime to Guatemala would be especially damaging to the United States' position in Mexico, where a large and influential pro-Communist element is becoming more active.

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ANNEX

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Watch Report 380, 14 November 1957
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the orbit in the immediate future.
- C. Although major Turkish forces continue to be deployed near the Syrian border, the deliberate initiation of hostilities is unlikely in the immediate future. However, intensified propaganda attacks against King Hussayn, together with continuing unstable conditions in Jordan, continue to create possibilities for conflict in the Middle East.

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